

Message Text

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ACTION ARA-10

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TAGS: EIND, ETRN, EFIN, NA

SUBJECT: SANTA ANNA SHIPYARDS

REF: CURACAO 188

1. CURACAO ISLAND LT. GOVERNOR A.E. KIBBELAAR HELD A PRESS CONFERENCE ON OCTOBER 11, FOR MEMBERS OF THE LOCAL BUSINESS AND FINANCIAL COMMUNITY. THE PURPOSE OF THE PRESS CONFERENCE, ATTENDED BY REPRESENTATIVES FROM MCMULLEN ASSOCIATES, WAS TO BRIEF THE LOCAL COMMUNITY ON THE STATUS OF THE SHIPYARD PROJECT. IN ADDITION TO KIBBELAAR, JOHN MCMULLEN, GEORGE STEINBRENNER OF THE AMERICAN SHIPBUILDING COMPANY, AND REPRESENTATIVES OF SCHROEDER BANKING CORP. SPOKE TO THE GROUP.

2. AMERICAN SHIPBUILDING MAY BECOME A PARTNER WITH MCMULLEN ASSOCIATES AND THE ISLAND GOVERNMENT IN THE SHIPYARD PROJECT. SUBJECT TO THE APPROVAL OF AMERICAN SHIPBUILDING'S BOARD OF DIRECTORS, THE SHIPYARD COMPANY WILL HAVE 52 PERCENT OF ITS EQUITY OWNED BY THE ISLAND OF CURACAO, AND 48 PERCENT DIVIDED EQUALLY BETWEEN AMERICAN SHIPBUILDING AND MCMULLEN. MCMULLEN STRESSED THAT THE PROJECT WAS STILL AWAITING THE APPROVAL OF

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EXIM BANK BEFORE IT COULD GO FORWARD AND THAT HOLDING THE PRESS

CONFERENCE DID NOT IMPLY THAT THIS APPROVAL WOULD BE FORTHCOMING. ON THE GOVERNOR'S ADVICE, HOWEVER, HE WISHED TO INFORM THE LOCAL BUSINESS COMMUNITY OF THE PROJECT.

3. REVISED ESTIMATES FOR THE CONSTRUCTION OF THE YARD ARE 71 MILLION DOLLARS OUT OF A TOTAL INVESTMENT OF 85 MILLION DOLLARS. THE DIFFERENCE IS TO BE USED FOR INTEREST COSTS AND WORKING CAPITAL. OF THE TOTAL AMOUNT 51.5 MILLION IS BEING SOUGHT AS A LOAN FROM THE EXIM BANK; 7.5 MILLION IN EQUITY CAPITAL WILL BE INVESTED BY THE THREE PARTIES; THE REMAINDER IS TO BE SUBORDINATED DEBT. MCMULLEN HOPES THAT THE COMBINATION OF EQUITY CAPITAL AND SUBORDINATED DEBT, AMOUNTING TO ROUGHLY 40 PERCENT OF THE COST OF THE YARD, WILL CONVINCE EXIM BANK OF THE SERIOUSNESS OF THE PARTNERS AND WILL ALLOW A FAVORABLE DECISION ON THE LOAN.

4. DURING THE 33-MONTH PROJECTED CONSTRUCTION TIME OF THE YARD A MAXIMUM OF 1000 WORKERS WILL BE EMPLOYED. THE YARD ITSELF, WHICH SHOULD BE CAPABLE OF PRODUCING FOUR 80,000 DWT TANKERS ANNUALLY, WILL EMPLOY 2500 TO 3000 PEOPLE IN FULL PRODUCTION. OF THESE NUMBERS NOT MORE THAN 150 TO 200 SHOULD BE IMPORTED LABOR, THE REST COMING FROM THE ANTILLEAN LABOR POOL.

5. IN DISCUSSING THE FINANCING OF THE SHIPYARD PROJECT MCMULLEN POINTED OUT THE WILLINGNESS OF THE GNA TO FURNISH A GUARANTEE AND THE ABSURDITY OF REQUIRING A DUTCH GOVERNMENT GUARANTEE. IT WAS OBVIOUS FROM THE ATTENDANCE OF GOVERNOR KIBBELAAR AND OTHER LOCAL OFFICIALS THAT LOCAL GOVERNMENT CIRCLES FULLY BACK THE PROJECT.

6. COMMENT. THE CONSULATE GENERAL IS IN ACCORD WITH THE ESTABLISHMENT OF THE SHIPYARD AS OUTLINED IN REFTEL. IT IS HOPED THAT THE NEW FINANCIAL ARRANGEMENTS, PARTICULARLY THE INCLUSION OF AMERICAN SHIPBUILDING COMPANY AND THE REDUCTION OF THE LEVERAGE THAT MCMULLEN HAD IN THE PROJECT WILL BE CONVINCING TO EXIM BANK. WE WOULD APPRECIATE BEING INFORMED OF ANY FURTHER DEVELOPMENTS.
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